

Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 CAB-02 CIAE-00 COME-00
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FM SECSTATE WASHDC
TO AMEMBASSY MONTEVIDEO

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E.O. 11652: N/A

TAGS: EAIR, UY

SUBJECT: GOV PROPOSED TAX ON INTERNATIONAL AVIATION

REF: (A) MONTEVIDEO 1265 (B) MONTEVIDEO 1138

1. ALTHOUGH TAX ISSUE MAY NO LONGER CONSTITUTE
IMMEDIATE PROBLEM IN VIEW DEVELOPMENTS REPORTED REFTEL (A),
DEPARTMENT WISHES TO RESPOND TO QUESTIONS RAISED
REFTEL (B).

2. DELAYS IN PROCESSING PLUNA'S APPLICATION BEFORE
CAB HAVE BEEN DUE TO REQUEST BY PLUNA'S ATTORNEY FOR
POSTPONEMENT OF CAB HEARINGS. AIRLINE APPEARS TO
HAVE DIFFICULTIES GATHERING DOCUMENTS NECESSARY FOR
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CAB PROCEEDINGS AND STATUS OF ITS OPERATING PLANS INTO
US APPEARS AT THIS TIME UNCERTAIN. WE CERTAINLY INTEND
TO COMPLY WITH COMMITMENTS ENTERED INTO BY USG IN
PROCESSING PERMIT FOR PLUNA.

3. IN SIMILAR FASHION, URUGUAYAN AUTHORITIES WOULD ALSO
BE EXPECTED TO COMPLY WITH THEIR COMMITMENTS UNDER

PARA 6 OF JUNE 4, 1976 MEMORANDUM OF UNDERSTANDING WHICH
READS: "...THE URUGUAYAN GOVERNMENT WOULD NOT IMPOSE

ANY TAXES, ROYALTIES, OR LEVIES (OTHER THAN THOSE
ALREADY BEING IMPOSED) ON ANY U.S. AIRLINE." THIS
PROVISION MAY BE BROUGHT TO ATTENTION OF URUGUAYAN
AUTHORITIES AS APPROPRIATE. IT IS CLEARLY THE INTENT
OF ABOVE PROVISION TO INCLUDE IN ITS SCOPE ALL US
AIRLINES (SCHEDULED AND SUPPLEMENTAL) WHETHER
DESIGNATED OR NOT.

4. THE 1946 AIR TRANSPORT AGREEMENT WITH URUGUAY, AS
AMENDED, APPLIES TO SCHEDULED SERVICES ONLY. OPERATORS
OF CHARTER AND NONSCHEDULED FLIGHTS ARE NOT COVERED
BY THIS AGREEMENT. LATTER TYPES OF SERVICES ARE
AUTHORIZED BY RESPECTIVE AERONAUTICAL AUTHORITIES ON
BASIS OF RECIPROCITY. URUGUAYAN IMPOSITION OF AVIATION
TAX ON US AIRLINES COULD DISRUPT OUR AVIATION
RELATIONS AND COULD LEAD TO A REAPPRAISAL OF THE PENDING
CAB APPLICATIONS BY TWO URUGUAYAN NONSCHEDULED AIRLINES,

ALAS AND AERO URUGUAY.

5. FAIR COMPETITIVE PRACTICES ACT IS US DOMESTIC LAW
WHICH REQUIRES USG TO UNDERTAKE CORRECTIVE ACTIONS IN
EVENT FOREIGN GOVERNMENTS IMPOSE DISCRIMINATORY
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MEASURES ON US AIRLINES, WHETHER OR NOT OPERATION OF SUCH
AIRLINES IS COVERED BY SPECIFIC BILATERAL AGREEMENT.

6. WE AGREE THAT A TAX IMPOSED ON BRANIFF WOULD NOT
BE VIOLATION OF BASIC AIR TRANSPORT AGREEMENT, BUT IT

WOULD BE CONTRARY TO JUNE 1976 MOU. VANCE

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